

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 CIAE-00 DODE-00 PM-05 H-01  
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INRE-00 COME-00 EB-08 LAB-04 SIL-01 DHA-02 OMB-01  
TRSE-00 /090 W

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC NIACT IMMEDIATE 7808

INFO AMEMBASSY AMMAN IMMEDIATE

AMEMBASSY CAIRO IMMEDIATE

AMEMBASSY DAMASCUS IMMEDIATE

AMEMBASSY JIDDA PRIORITY

AMCONSUL JERUSALEM PRIORITY

USMISSION USUN PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 TEL AVIV 6114

E.O. 11652: GDS

TAGS: PGOV, PINT, PBOR, IS, JO

SUBJECT: THE CABINET'S WEST BANK DECISION

REF: TEL AVIV 6048

BEGIN SUMMARY: THERE IS A GENERAL AIR OF CONFUSION AND  
SURPRISE HERE REGARDING THE GOVERNMENT'S DECISION TO  
EXTEND EQUAL RIGHTS TO ARAB RESIDENTS OF THE WEST BANK AND  
THE GAZA STRIP, ALTHOUGH THE GOVERNMENT EMPHASIZES THAT ITS  
DECISION IS A LOGICAL AND NATURAL EFFORT TO REDUCE THE DIF-  
FERENCES BETWEEN RESIDENTS OF ISRAEL AND THOSE OF THE  
TERRITORIES. GOVERNMENT MINISTRIES, EVEN THOSE WHICH WILL  
BE RESPONSIBLE FOR ADMINISTRATION AND IMPLEMENTATION OF THE  
DECISION, ARE NOT SURE WHAT IT MEANS AND DOES NOT MEAN. A  
NUMBER OF MEASURES HAVE BEEN ANNOUNCED, SUCH AS THE  
IMPLEMENTATION OF HEALTH INSURANCE SCHEMES, REGULATIONS  
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REGARDING THE RIGHTS OF ARAB WORKERS WHO ARE EMPLOYED  
IN SETTLEMENTS IN THE RAFAH AREA, AND THE GRANTING  
OF LOANS TO MUNICIPALITIES FOR PUBLIC TRANSPORTATION,  
BUT THE GENERAL EFFECT IS CLEARLY ONE OF IMPROVISATION.  
THERE IS A QUESTION IN THE MINDS OF MANY OBSERVERS  
REGARDING THE FINANCIAL IMPLICATIONS AND THE SOURCE OF  
FUNDING FOR THE ADDITIONAL EXPENSES WHICH WILL BE IN-

CURRED. BEGIN HIMSELF HAS EMPHASIZED THE HUMANITARIAN NATURE OF THE DECISION AND HAS STRESSED THAT IT WILL BE A LONG-TERM PROGRAM OF IMPROVEMENT OF SOCIAL SERVICES. END SUMMARY.

1. THE EDITORIAL REACTION AND COMMENT IN THE PRESS GENERALLY REFLECTS THE PRO- OR ANTI-GOVERNMENTAL SLANT OF THE PARTICULAR PAPER, WHILE INDEPENDENT PAPERS SUCH AS HAARETA ARE GENERALLY CRITICAL. CRITICAL COMMENTS QUESTION THE NECESSITY FOR THE CABINET'S DECISION AT ALL AND QUESTION ITS TIMING. OTHER CRITICISMS RECALLED THE UNREST GENERATED IN THE TERRITORIES AT THE TIME THE VALUE ADDED TAX WAS IMPOSED AND ANTICIPATE A SIMILAR ADVERSE REACTION TO THIS LATEST ANNOUNCEMENT. UNDERLYING MANY OF THE ADVERSE COMMENTS IS THE FEAR OF THE LIKELY UNFAVORABLE RESPONSE OF THE U.S.

2. OPPOSITION LEADERS WASTED NO TIME IN EXPRESSING THEIR CRITICISM OF THE DECISION. SHIMON PERES DESCRIBED THE DECISION AS ONE WHICH WAS LACKING IN SERIOUSNESS AND SAID IT WAS CONFUSED AND THEATRICAL. FORMER FINANCE MINISTER RABINOWITZ CALLED THE GOVERNMENT HYPOCRITICAL AND FORMER TRANSPORTATION MINISTER YACOBI SAID THE DECISION WAS IRRESPONSIBLE. THE ALIGNMENT HAS REQUESTED A SPECIAL MEETING OF THE KNESSET FOREIGN AFFAIRS  
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AND SECURITY COMMITTEE TO DISCUSS THE DECISION AND A SPECIAL SESSION OF THE KNESSET ITSELF MAY BE REQUESTED. DMC MEMBER TOLEDANO CRITICIZED THE TIMING OF THE DECISION, SAYING "THIS IS THE WORST POSSIBLE TIME," AND SAID THAT THE PRIME MINISTER APPARENTLY WISHED TO EQUALIZE THE JURISDICAL/POLITICAL STATUS OF RESIDENTS OF THE TERRITORIES AND OF ISRAEL, "THAT IS TO SAY -- CREEPING ANNEXATION." HE SAID HE HAS NO DOUBT THE NEXT STEP WOULD BE TO OFFER ISRAELI CITIZENSHIP TO THE ARAB RESIDENTS OF THE TERRITORIES.

3. DURING A LUNCHEON DISCUSSION AUGUST 15 WITH THE AMBASSADOR, JERUSALEM MAYOR TEDDY KOLLEK WAS VERY CRITICAL OF THE CABINET'S DECISION. HE SAID HE INTENDED TO SEND A LETTER TO BEGIN SUGGESTING THAT IF THE CABINET WERE SERIOUS ABOUT THE MOVE, IT COULD WELL START IN JERUSALEM. THE CITY IS IN URGENT NEED OF FUNDS, PARTICULARLY FOR SEWER PROJECTS AND HOUSING IN EAST JERUSALEM AND THERE WOULD BE NO BETTER PLACE TO BEGIN. KOLLEK SAID HE HAD MET DEFENSE MINISTER WEIZMAN AT 0930 HOURS SUNDAY

MORNING (THUS, 30 MINUTES BEFORE THE CABINET MEETING) AND WEIZMAN WAS NOT CLEAR AS TO WHAT HE WOULD SAY ON THIS SUBJECT. HE WAS SURE FROM THIS ENCOUNTER THAT THE DECISION HAD BEEN UNEXPECTED AND HAD NOT BEEN PROPERLY THOUGHT OUT. (FYI: DEFENSE MINISTER WEIZMAN TOLD THE AMBASSADOR AUGUST 16 THAT HE HAD PUT HIS STAFF TO WORK THREE WEEKS AGO TO DEVELOP PLANS FOR IMPLEMENTING THIS DECISION.) KOLLEK WENT ON TO SAY THAT IF THE DECISION WERE INDEED PUT INTO EFFECT THROUGHOUT THE TERRITORIES, IT WOULD CONSTITUTE AN "ENORMOUS" FINANCIAL BURDEN ON THE GOI BUDGET. HE POINTED OUT THAT SOME \$2 MILLION ARE EXPENDED EACH MONTH FOR SOCIAL SECURITY BENEFITS TO THE ARABS ONLY  
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IN EAST JERUSALEM, AND IF THIS ITEM FOR EXAMPLE WERE NOW TO BE EXTENDED THROUGHOUT THE TERRITORIES, IT WILL RESULT IN A GREATLY INCREASED FINANCIAL BURDEN.

4. JERUSALEM HAS REPORTED REACTION IN THE WEST BANK TO THE DECISION (SEE JERUSALEM 1280). GAZA MAYOR SHAWWA TOLD AN EMBASSY OFFICER AUGUST 16 THAT THE GOVERNMENT' EXPLANATION OF ITS DECISION AS A HUMANITARIAN ONE WAS "JUST A MOCKERY." BOTH MAYOR SHAWWA AND HIS CITY MANAGER, ISAM SHAWWA, SAID THEY CONSIDERED THE DECISION SIMPLY ANOTHER STEP IN THE ANNEXATION OF GAZA BY ISRAEL. THEY BOTH SAID THEY FELT THAT THE NEW POLICY WAS AN ADDITION TO, RATHER THAN A DEPARTURE FROM, THE PRACTICE OF PREVIOUS GOVERNMENTS." "THE DIFFERENCE WITH BEGIN IS THAT HE SAYS PUBLICLY WHAT HE WANTS TO DO" SAID MAYOR SHAWWA.

5. WE SOUGHT COMMENT FROM THE HISTADRUT BUT WERE TOLD THAT IN LINE WITH ITS PRESENT POLICY OF NO CONFRONTATION WITH THE GOVERNMENT, THE INSTITUTION WOULD HAVE NO COMMENT. WE WERE TOLD PRIVATELY BY OFFICIALS IN THE ARAB DEPARTMENT OF THE HISTADRUT THAT THE NEW GOVERNMENT HAD NOT DONE ANYTHING YET FOR ISRAEL'S ARABS AND NOW APPEARS TO BE PROMISING A GREAT DEAL TO THE ARABS IN THE OCCUPIED TERRITORIES; THIS WILL UNDOUBTEDLY CREATE RESENTMENT AMONG ARABS IN ISRAEL. WE ALSO CHECKED WITH THE SECRETARY GENERAL OF THE MINISTRY OF LABOR, WHO WOULD BE EXPECTED TO BE CHARGED WITH IMPLEMENTATION OF ANY MEASURES PERTAINING TO EMPLOYMENT. HE SAID HE WAS NOT FULLY INFORMED AND HAD BEEN ASKED  
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ONLY TO COMMENT ON THE IMPLICATION OF CHANGING  
JORDANIAN MINIMUM AGE EMPLOYMENT LAWS FROM 12 YEARS  
TO THE ISRAELI MINIMUM OF 15 YEARS. HE POINTED OUT

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C O N F I D E N T I A L SECTION 2 OF 2 TEL AVIV 6114

THAT WORKERS FROM THE TERRITORIES WHO ARE EMPLOYED  
IN ISRAEL ARE ALREADY COVERED BY ISRAELI EMPLOYMENT  
BENEFITS AND THE QUESTION NOW IS HOW TO APPLY  
THOSE BENEFITS ON THE BASIS OF EQUALITY TO WORKERS  
WHO ARE EMPLOYED ONLY IN THE WEST BANK.

6. GOVERNMENT SPOKESMAN HAVE ADMITTED TO US THAT THE  
DECISION CAME AS A SURPRISE AND HAD NOT BEEN WELL  
PREPARED WITH COORDINATED STAFF WORK. THE MFA  
REPRESENTATIVE TO THE ADMINISTRATION OF THE  
TERRITORIES (GONEN) SAID THAT BY IMPLEMENTING THE  
THREE MEASURES WHICH HAD BEEN UNDER STUDY FOR SIX  
MONTHS, THE GOI WAS MAKING A STATEMENT OF  
POLITICAL INTENT TO THE ARABS--SAYING, IN EFFECT,  
THIS WILL BE THE FUTURE OF THE TERRITORIES IF

PROGRESS IS NOT MADE TOWARD AN OVERALL SETTLEMENT.  
THE SPOKESMAN OF THE FOREIGN MINISTRY (LAVIE) SAID  
THAT HE HAD NOT BEEN AWARE OF ANY PREVIOUS  
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CONSIDERATION OF THIS MOVE BY THE CABINET. HE  
RECALLED THAT FOREIGN MINISTER DAYAN HAD PROPOSED  
SIMILAR IDEAS AS MINISTER OF DEFENSE IN 1971. HE  
SAID DAYAN HAD NOT TAKEN THE INITIATIVE IN THIS NEW  
DECISION ALTHOUGH HE VOTED IN FAVOR OF IT IN THE  
CABINET MEETING ON SUNDAY. THE DIRECTOR GENERAL OF  
THE PRIME MINISTER'S OFFICE (BEN-ELISSAR) TOLD US,  
HOWEVER, THAT ANY SURPRISE SHOULD BE ATTRIBUTED  
ONLY TO THE FACT THAT THERE WAS NOT AN AWARENESS  
THAT THE SUBJECT WAS BEING CONSIDERED AND THAT  
THE MOVE ITSELF SHOULD BE SEEN AS CONSISTENT  
WITH THE CABINET'S VIEWS. HE SAID THAT A  
NUMBER OF MEASURES HAD BEEN UNDER STUDY BY  
DIFFERENT MINISTRIES AND NOW WILL BE  
PUT INTO EFFECT.

7. BEN-ELISSAR ALSO TOLD US THERE HAD BEEN NO  
CONSIDERATION OF APPLYING THESE MEASURES TO  
RESIDENTS OF THE GOLAN HEIGHTS AND THE SINAI  
BECAUSE OF THE SMALL NUMBER OF INHABITANTS IN  
THOSE AREAS. IN ADDITION, THE DRUZE IN THE  
GOLAN ALREADY ARE RECEIVING A GOOD DEAL OF  
SUPPORT FROM ISRAELI AUTHORITIES AND THE BEDOUINS  
IN THE SINAI DO NOT HAVE THE REQUIREMENTS FOR  
THIS KIND OF ASSISTANCE. THE BEDOUINS AROUND  
RAFAH ARE A SPECIAL SITUATION, BECAUSE OF THEIR  
EMPLOYMENT IN THE ISRAELI SETTLEMENTS THERE AND  
A SPECIAL ANNOUNCEMENT HAS ALREADY BEEN MADE  
REGARDING MEASURES TO PROTECT THOSE WORKERS.

8. BUDGETARY IMPLICATIONS OF THE NEW MEASURES ARE  
STILL NOT CLEAR. THE GOI BUDGET FOR THE TERRITORIES  
IS FORMALLY PART OF THE DEFENSE MINISTRY (MOD), WHICH  
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ADMINISTERS THE TERRITORIES THROUGH THE MILITARY GOVERN-  
MENT. THE (UNANNOUNCED) POLICY OF THE MOD HAS BEEN  
THAT THE CIVIL BUDGET WILL NET AT ZERO, WITH MILITARY  
EXPENDITURES COMING FROM THE REGULAR GOI BUDGET.  
CIVIL EXPENDITURES ON THE  
TERRITORIES HAVE BEEN FINANCED BY REVENUES RAISED IN

THE TERRITORIES. IN FACT, ONE REASON GIVEN FOR THE FREEZE IN PUBLIC EXPENDITURES BY THE MILITARY GOVERNMENT IN THE 1973-75 PERIOD WAS THE LACK OF GROWTH IN TAX RECEIPTS DURING THAT PERIOD. IF, AS SOME REPORTS HAVE INDICATED, THE IMPLEMENTATION OF THE SOCIAL SERVICE IMPROVEMENTS IS ONLY TO BE SEEN IN THE CONTEXT OF A LONG-RANGE POLICY GOAL WHICH MAY TAKE YEARS TO IMPLEMENT, THEN THE GOI MAY BE ABLE TO MAINTAIN THE SELF-FINANCING ASPECT OF ITS MILITARY GOVERNMENT BUDGET.

9. THE ECONOMIC ADVISOR TO THE MOD TOLD THE EMBASSY THAT, AT FIRST GLANCE, THE NEW MOVES SHOULD HAVE NOT NET EFFECT AT ALL ON THIS YEAR'S GOI BUDGET. HE REFERRED TO THE TAXES WITHHELD ON THE SALARIES OF WEST BANK AND GAZA STRIP ARABS WORKING IN ISRAEL. THESE REVENUES ARE SEGREGATED AND CAN BE DRAWN ON TO FINANCE CIVIL EXPENDITURES BY THE MILITARY GOVERNMENT. WHILE UNWILLING TO MAKE AN ESTIMATE ON THE SIZE OF NEW FINANCING CALLED FOR BY MEASURES, HE MADE IT CLEAR THAT THE GOI INTENDS TO KEEP THE MILITARY GOVERNMENT BUDGET BALANCED, DRAEING ON SOURCES IN THE TERRITORIES FOR FINANCING. (WE WOULD NOTE THAT WITH THE INTRODUCTION OF THE VALUE ADDED TAX IN THE TERRITORIES IN MID-1976, THE GOI HAS A NEW SOURCE OF FUNDS. MORE EFFICIENT COLLECTION OF THESE AND OTHER TAXES COULD PROVIDE SIGNIFICANTLY INCREASED REVENUES.) VARIOUS NEWSPAPER COMMENTATORS HAVE ASSESSED THE FINANCIAL BURDEN OF THE NEW SERVICES TO RUN FROM TWO BILLION TO AS HIGH AS 15 BILLION POUNDS ANNUALLY.  
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10. COMMENT: THE PRIMARY QUESTION WHICH HAS TO BE ADDRESSED REMAINS "WHY HAS BEGIN TAKEN THIS STEP?" SEVERAL POSSIBLE ANSWERS OCCUR TO US. HE IS TRYING (AGAIN) TO MEET DEMANDS FROM HIS COALITION PARTNERS TO PRESS ON WITH SETTLEMENT ACTIVITIES, HE IS SIGNALLING THE ARABS THAT HE DOES NOT INTEND TO CUT ISRAEL'S TIES WITH THE RESIDENTS OF JUDEA AND SAMARIA BUT ON THE CONTRARY, INTENDS TO INTENSIFY THOSE TIES; HE IS SIGNALLING THE U.S. THAT HE CONTINUES TO REGARD THE TERRITORIES AS AN INTEGRAL PART OF GREATER ISRAEL; OR THAT HE GENUINELY WISHES TO IMPROVE THE STANDARDS OF EMPLOYMENT AND SOCIAL SERVICES FOR PEOPLE WHO HAVE BEEN TOO LONG NEGLECTED. THE ANSWER MAY BE A COMBINATION OF THESE FACTORS - CERTAINLY NO CLEAR ANSWER HAS SURFACED AS WE HAVE PROBED INTO THE REASONS FOR THE DECISION. IN ANY CASE, THE DECISION APPEARS NOT TO HAVE BEEN WELL STUDIED AND ITS IMPLI-

CATIONS ARE STILL UNCLEAR, EVEN TO THOSE WHO MUST  
IMPLEMENT IT.

11. ISRAEL HAS CONSISTENTLY ARGUED THAT IT HAS  
RESPECTED AND NOT ALTERED JORDANIAN AND EGYPTIAN LAW  
AND REGULATIONS IN THE TERRITORIES; THAT WILL NO  
LONGER BE THE CASE WHEN THESE MEASURES ARE IMPLEMENTED.  
THIS FACT MAKES THIS DECISION OF A DIFFERENT MAGNITUDE  
THAN THE DECISIONS OF JULY 26 AND TODAY TO LEGALIZE  
AND ESTABLISH NEW SETTLEMENTS - TOGETHER THE THREE  
DECISIONS CLEARLY INDICATE ISRAELI INTENT TO PERSEVERE  
IN ITS SETTLEMENT ACTIVITIES DESPITE AWARENESS OF U.S.  
DISAPPROVAL.  
LEWIS

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## Message Attributes

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